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C O N F I D E N T I A L SECTION 01 OF 03 ATHENS 000838

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SUBJECT: DEVELOPMENT MINISTER WORKS TO MOVE TGI FORWARD

REF: ATHENS 811

Classified By: AMBASSADOR CHARLES RIES FOR REASONS 1.4 (B,D)

11. (C) Summary. Minister of Development Sioufas outlined to the Ambassador a series of steps he was taking to move the ball forward on TGI. He had obtained Turkish Minister of Energy Guler's agreement to work on a trilateral, intergovernmental TGI agreement covering source, transit and other issues. A Greek draft of this agreement was to be circulated to Turkey and Italy within the next ten days. He was then looking forward to substantive meetings with Azerbaijani counterparts in May or June in Athens. Sioufas said the Greece-Turkey "first gas" ceremony would take place in the second half of July when the national grids were to be connected in the presence of the two prime ministers. He noted Greece was completely and publicly committed to filling TGI with "Caspian or Middle Eastern Gas;" this was known to the Russians, who had not raised TGI during Gazprom head Alexei Miller's recent visit to Greece. On Burgas-Alexandroupolis, Sioufas said the equity-holding companies planned to meet the week of April 30 in Moscow; the Kazakhi and Omani governments had recently expressed an interest in having their companies acquire equity stakes also. Chevron is still welcome, too. Sioufas expressed regret over the recent security threat at the Embassy, and stressed the importance he and his government attached to Greece's entry into the Visa Waiver Program. End Summary.

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Energy Issues
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12. (C) The Ambassador opened the April 26 meeting by asking for updates on key issues including Gazprom head Alexei Miller's recent visit to Athens. Sioufas said the two sides had agreed to move forward on extending the current bilateral gas agreement from 2016 to 2040. In view of Greece's rapidly increasing use of gas, the agreement would foresee an increase in Gazprom supplies to the Greek domestic market from the current 2.8 bcm to 4 bcm and eventually to 5 bcm. The Greek natural gas company, DEPA, would continue to market 2.8 bcm of gas, but the remaining amount would be marketed by other companies "including possibly by Gazprom itself." Sioufas noted this arrangement was necessary to bring Greece into compliance with EU anti-monopoly rules. Sioufas said Miller did not raise TGI in his talks, and that the new, extended bilateral agreement would cover domestic supplies only.

13. (C) In this regard, Sioufas once again underlined the

GoG's long-term commitment to supporting the "trialogue" of European energy security: diversity of supply, forms and routes. The Greek-Italian IGA establishing TGI specified that it would be supplied by Caspian and/or Middle Eastern gas resources. Greece had made this a very public commitment, one known to the U.S., the EU and to Russia. Most recently, Greece and Italy had applied to the EC for a third-party access exemption for the project that effectively "does not allow Russian gas into TGI." Sioufas said EU Commissioner Piebalgs, who visited Athens last week, told him it was likely the Commission would approve the requested TPA exemption by the end of May.

14. (C) Sioufas outlined next steps on TGI. On April 20, he had proposed to Turkish Energy Minister Guler signing a three-way framework agreement on TGI after which the parties would negotiate a gas supply agreement for 11.5 bcm with Azerbaijan. He stressed work on this agreement would not prevent the individual TGI member states from continuing their bilateral energy meetings with the Azerbaijanis. Sioufas also stressed the importance of Azerbaijani and Greek officials finally having the opportunity to discuss TGI in detail. Although he was disappointed by the last-minute cancellation of the planned March 16 IGA by the Azerbaijanis, he noted that the Azerbaijanis had committed themselves (during a meeting in Luxembourg (sic) between the two nations' foreign ministers) to come to Greece sometime between late May and June. Greece was also looking at other sources of gas for TGI, including from Egypt. He understood conceptual work was moving forward on a gas pipeline from Egypt to Turkey through Jordan and Syria.

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Greece-Turkey First Gas Ceremony

15. (C) Sioufas noted he had also discussed the Greek-Turkey first gas ceremony with Guler. The two sides agreed that the two prime ministers would attend, and invites would be sent to EU President Barroso and Energy Commissioner Piebalgs, the latter of which had already agreed to attend. The date of the ceremony was still under discussion -- it remained slightly unclear when the Turks would be in a position to link the two grids -- but it would take place no later than the end of July. At that point, Turkey would be able to begin delivering gas to Greece. In 2007, deliveries would total 0.25 bcm and reach 0.9 bcm in 2009. Sioufas said the governing bilateral agreement did not specify the source of this gas.

Expressions of Concern on Security Threat

16. (C) Sioufas expressed his concern about the security threat, which closed the Embassy April 25, and offered whatever help he could provide. The Ambassador noted that the Minister of Public Order and the Greek police had shown the Embassy excellent cooperation.

VWP: Good for Both Countries

17. (C) On the theme of security, Sioufas stressed how important it was for Greece to be included in the Visa Waiver Program. Inclusion would promote close Greek-American relations. It would also undercut those who questioned bilateral relations. Sioufas cited a saying from his home town of Karditsa that "Empty tongues always say more than full tongues..." The Ambassador agreed that VWP would support bilateral relations, but noted that the issue in Washington went far beyond the bilateral relationship. He reminded Sioufas that no new countries had been accepted into

the VWP since 9/11, and that security concerns remained the paramount concern in Washington when VWP was being discussed. Nonetheless, he felt the word was getting out about the good story Greece had to tell on security.

Greek Concerns on Energy Prices and Russian Power

18. (C) In closing the meeting, Sioufas expressed his intense concerns about the power that has begun accruing to Russia in this era of high energy prices. The Ambassador said the U.S. was also concerned about high energy prices and the security of our energy supply. That was why the President in his State of the Union speech had committed the U.S. to reducing our dependence on imported petroleum, in part through use of ethanol as a motor fuel. Sioufas welcomed this initiative, but also noted concerns raised in some quarters that the U.S. ethanol push would raise foodgrain prices thereby affecting poor countries. The Ambassador noted that "when the U.S. tries to sell low-cost grain to poor countries, we are criticized for hurting farmers by undercutting local production prices. When we try to support the push towards ethanol, we are criticized for hurting the poor by raising prices." Sioufas laughed and admitted the rhetoric aimed at the U.S. was often unfair.

ContourGlobal/PPC Cooperation; Burgas-Alexandroupoli

19. (C) Sioufas said he was pleased by the close cooperation between the U.S. firm ContourGlobal and the Public Power Corporation of Greece and noted he had told the new head of PPC to make this cooperation a priority. The Ambassador noted he had met the new head of PPC just a week before (reftel), and was impressed by his businessman's approach. On B-A, Sioufas said participating companies were to meet in Moscow the week of April 30. He noted that the governments of Kazakhstan and Oman had both expressed interest in securing B-A equity shares and through-put quota for their companies, In this connection, he once again welcomed Chevron's equity participation as well.

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